

**BRISBANE COMMUNITY  
REDEVELOPMENT AGENCY**

**BASIC COMPONENT UNIT  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

This Page Left Intentionally Blank

**BRISBANE COMMUNITY REDEVELOPMENT AGENCY**  
**For The Year Ended June 30, 2011**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Independent Auditor’s Report .....</b>	<b>1</b>
<b>Management’s Discussion and Analysis .....</b>	<b>3</b>
<b>Basic Financial Statements:</b>	
Government-Wide Financial Statements:	
Statement of Net Assets .....	10
Statement of Activities.....	11
Fund Financial Statements:	
Balance Sheet .....	14
Reconciliation of the Governmental Funds - Balance Sheet with the Statement of Net Assets .....	15
Statement of Revenues, Expenditures and Changes in Fund Balances.....	16
Reconciliation of the Net Change in Fund Balances – Total Governmental Funds with the Statement of Activities .....	17
Notes to Basic Financial Statements.....	19
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Project Area #1 Special Revenue Fund .....	34
Project Area #2 Special Revenue Fund .....	35
Low and Moderate Income Housing Special Revenue Fund .....	36

**BRISBANE COMMUNITY REDEVELOPMENT AGENCY**  
**For The Year Ended June 30, 2011**

**TABLE OF CONTENTS**

Notes to Required Supplementary Information .....	37
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Housing Bonds Debt Service Fund .....	40
Excess Surplus Calculation.....	41
<b>Independent Auditor’s Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i> .....</b>	<b>43</b>
<b>Independent Auditor’s Report On Compliance And On Internal Control Over Compliance In Accordance With The California Health And Safety Code As Required By Section 33080.1 .....</b>	<b>45</b>

## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Members of the Governing Board of the  
Brisbane Community Redevelopment Agency  
Brisbane, California

We have audited the financial statements of the governmental activities and each major fund of the Brisbane Community Redevelopment Agency as of and for the year ended June 30, 2011, which collectively comprise the Agency's Notes to financial statements as listed in the Table of Contents. These financial statements are the responsibility of the management of the Agency. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of June 30, 2010, were audited by other auditors whose opinion dated December 28, 2010, were unqualified.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Brisbane Community Redevelopment Agency as of June 30, 2011, and the respective changes in the financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 10, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. These conditions raise substantial doubt about the Agency's ability to continue as a going concern. However, on August 11, 2011, the California Supreme Court issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the partial stay did not include the section of ABx1 26 that suspends all new redevelopment activities. As a result, the accompanying financial statements have been prepared assuming that the Agency will continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 7D, during fiscal year 2011, the Agency determined that the advance from the Brisbane Public Financing Authority should be reported as long-term debt, rather than fund liabilities in the Project Area #1 Special Revenue Fund. As a result, fund balance has been increased as of July 1, 2010 in the Project Area #1 Special Revenue Fund by \$13,165,000.

As of July 1, 2010, the Agency adopted the provision of Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. As discussed in Note 7 to the financial statements, the provisions of this statement affect the classification of fund balances reported in the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2011 on our consideration of the City of Brisbane's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the budgetary comparison information are not required parts of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures to this information, principally inquiries of management regarding the methods of measurement and presentation of this information, but we did not audit this information and we express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Information listed in the Table of Contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the Agency-wide and fund financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mare & Associates

November 23, 2011

## Management's Discussion and Analysis

As management of the Redevelopment Agency of Brisbane we offer the readers of the Redevelopment Agency's financial statements this narrative overview and analysis of the financial activities of the Redevelopment Agency for the fiscal year ended June 30, 2011.

The purpose of the Redevelopment Agency is to alleviate blight and support economic development. To fulfill its purpose, the agency incurs debt to buy land and build infrastructure and facilities. The Agency also pays for its on-going operations. This results in the Agency's liabilities being greater than its assets. However, the liabilities are not greater than the present value of its stream of income.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements, which are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements.

The basic financial statements include only the Redevelopment Agency of the City of Brisbane, which is a component unit of the City and is reported in the City's financial statements using the blended method.

This report also contains other required supplementary information in addition to the basic financial statements for further information and analysis.

### BASIC FINANCIAL STATEMENTS

#### *Government-wide Financial Statements*

The Government-Wide Financial Statements present a corporate-like long-term picture of the Agency and provides readers with a broad view of the Agency's finances. These statements present governmental activities and include all assets of the Agency (including capital assets) as well as all liabilities (including long-term debt).

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the Agency as a whole and about its activities. These statements include *all* assets and liabilities of the Agency using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of the financial position of the Agency.

The Statement of Activities and Changes in Net Assets presents information showing how the Agency's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Additionally, certain interfund receivables, payables and other interfund activity have been eliminated as prescribed by Government Accounting and Standards Board (GASB) Statement No. 34.

The Agency only has governmental activities, including Public Works Engineering and administration, which are shown in the Statement of Net Assets and the Statement of Activities and Changes in Net Assets. Property tax increment and interest income finance these activities.

## *Fund Financial Statements*

The Fund Financial Statements provide detailed information about the Agency's most significant funds, called major funds. Each Major Fund is presented individually, with all Non-major Funds combined in a single column on each fund statement. Subordinate schedules present the detail of these Non-major Funds.

Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Fund financial statements are prepared on the modified accrual basis of accounting which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are presented only in the Government-wide Financial Statements.

In order to better understand the Agency's long-term and short-term requirements, it is useful to compare the Agency's Governmental Fund Statements with the governmental activities in the Government-Wide Financial Statements. Reconciliation is provided for both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances to facilitate this comparison.

All of the Agency's funds were determined to be major funds. These funds include Project Area #1 Special Revenue Fund, Project Area #2 Special Revenue Fund, the Low and Moderate Income Housing Special Revenue Fund, and the Debt Service Funds, which are reported in detail in the Governmental Fund Financial Statements.

## **FINANCIAL HIGHLIGHTS**

The most significant change to the Agency's financial picture in FY 2010/11 was the State of California's plan to eliminate all redevelopment agencies in the state. There was additional legislation that allows the agencies to continue if their City "voluntarily" agrees to remit a sizable amount to the schools. These are commonly referred to as AB 1X26 and AB 1X27. The legality of these two bills is currently being challenged in the State Courts. Should the State's position prevail, the City of Brisbane will exercise the option to keep the redevelopment projects going.

The City determined that the Advance from the Brisbane Public Financing Authority should be reported as a long-term liability rather than a fund liability. As such, Project Area #1 reflects this change in its fund balance.

This year the City has implemented GASB Statement 54, Fund Balance Reporting and Government Fund Type Definitions. This statement is an effort to standardize the different fund balance types. Instead of Reserved and Unreserved, the hierarchy is now based on what constraints exist on the use of resources of the governmental funds. The Redevelopment Agency currently has restricted fund balance and Unassigned fund balance. More information is found in Note 7B.

Fiscal Year 2010-11 financial highlights include the following:

- At June 30, 2011, the Agency had negative net assets (excess of liabilities over assets) of \$3.6 million as a result of long-term debt to Brisbane Public Finance Authority (BPFA), the City, and in the Low-and-Moderate Income-Housing Fund.
- During the fiscal year ended June 30, 2011 the Agency's total net assets increased by nearly \$.7 million due to a decrease in expenses.
- The Agency is dependent on tax increment revenues and investment income.
- The Agency's total bonded debt decreased by \$360,000 during the current fiscal year as a result of current debt service repayments.



**FINANCIAL PERFORMANCE**

*Government-wide Financial Statements – Governmental Activities*

The following analysis focuses on the net assets and changes in net assets of the Agency’s Governmental Activities, presented in the Government-wide Statement of Net Assets and Statement of Activities.

<p><b>Governmental Activities</b>  <b>Net Assets at June 30, 2011</b>  <b>(in \$ Thousands)</b></p>
---

	<u>2011</u>	<u>2010</u>	<u>Increase/ (Decrease)</u>
Current assets	\$ 7,450	\$ 6,763	\$ 686
Non current assets	3,246	3,241	5
Capital assets	3,760	3,761	(1)
<b>Total Assets</b>	<b>14,455</b>	<b>13,765</b>	<b>690</b>
Current liabilities	429	388	41
Long-term liabilities	17,614	18,014	(400)
<b>Total Liabilities</b>	<b>18,043</b>	<b>18,402</b>	<b>(359)</b>
<b>Net Assets:</b>			
Invested in capital assets, net of debt	3,760	3,761	(1)
Restricted	11,343	4,192	7,150
Unassigned	(18,690)	(12,590)	(6,100)
<b>Total Net Assets</b>	<b>(3,588)</b>	<b>(4,637)</b>	<b>1,048</b>

The Agency’s governmental net assets increased by \$1 million compared to the previous year. This increase in net assets is explained below.

- Current assets increased by \$.6 million due do decrease expenses.
- Repayments of long-term debt outstanding decreased by \$400,000.
- Due to the change in fund balance reporting, the differences in restricted and unassigned have changed. Total Net Assets increased by \$1.0.

*Governmental Activities and Changes in Net Assets*

Revenues by Source	2011	2010	Increase/ Decrease
<b>Program revenues</b>			
Charges for Services	-	-	-
Capital Grants and Contributions	-	-	-
<b>Total Program Revenues</b>	-	-	-
<b>General revenues &amp; transfers</b>			
Property Taxes	4,155	5,006	(851)
Investment earnings	33	67	(34)
Other revenue		-	-
Transfer	(1,946)	(1,947)	1
<b>Total General Revenues &amp; Transfers</b>	<b>2,242</b>	<b>3,126</b>	<b>(884)</b>
<b>Total Revenues</b>	<b>2,242</b>	<b>3,126</b>	<b>(884)</b>
<b>Expenses by Function</b>			
Public Works	981	2,330	(1,349)
Interest on long-term debt (unallocated)	212	216	(4)
<b>Total Expenses</b>	<b>1,193</b>	<b>2,546</b>	<b>(1,353)</b>
Increase (Decrease) in Net Asstes	1,049	580	469
Net Assets - Beginning	(4,637)	(5,216)	579
Net Assets - Ending	<b>(3,588)</b>	<b>(4,636)</b>	<b>1,048</b>

At June 30, 2011, the Agency's deficit net assets were reduced by \$1 million. While the State is attempting to end Redevelopment, all projects, and their expenses, are on hold. The Agency's total operating expenses were \$1.2 million and were comprised of public works and administrative expenditures and interest on debt. Revenues consisted of property taxes and investment earnings.

The primary difference between FY2010 and FY2011 is due to the decrease in public works expenditures. Property tax revenues have dropped because of the economy. Staff continues to work on projects in the planning stages.

**FUND FINANCIAL STATEMENTS**

The Community Redevelopment Agency had an ending Fund Balance of nearly \$4.0 million. Because of the restatement of long-term debt, this is a significant change from the prior year. This is a long-term debt which the Agency's property tax revenue will be able to repay over the life of the loan.

## BUDGETARY HIGHLIGHTS

The RDA Special Revenue Fund Area #1 revenue was over-estimated by half a million dollars. Part of this is due to how the county charges entities when an appeal is settled. If a large commercial enterprise wins an appeal, the credit to the revenue is spread county wide.

## CAPITAL ASSETS

GASB 34 requires the Agency to record all of its capital assets including infrastructure. Infrastructure includes roads, bridges, signals, and similar assets used by the entire population. At year end, net capital assets of the governmental activities totaled \$3.8 million.

Capital Assets at June 30, 2011			
(in \$ Thousands)			
Governmental Activities		2011	2010
<b>Capital Assets</b>			
Land and Improvements		\$ 3,760	\$ 3,760
Construction in Progress		-	-
<b>Total Governmental</b>		<b>\$ 3,760</b>	<b>\$ 3,760</b>

## DEBT ADMINISTRATION

Each of the Agency's debt issues is discussed in detail in Note 8. At June 30, 2011, the Agency's debt comprised:

Long-term Debt at June 30, 2011			
(in \$ Thousands)			
	2011	2010	Increase/ Decrease
<b>Governmental Activity Debt</b>			
<i>General Long-term Obligations</i>			
1998 Housing Set-Aside	\$ 1,260	\$ 1,305	\$ (45)
2001 A Tax Allocation Bonds	13,165	13,480	\$ (315)
<b>Total Governmental Activities</b>	<b>\$ 14,425</b>	<b>\$ 14,785</b>	<b>\$ (360)</b>

The Agency had no new debt during the current fiscal year.

## **ECONOMIC OUTLOOK**

As noted earlier in the MD&A, the Governor and the State of California legislature would like to end redevelopment. This has sparked a number of discussions on the financial challenges of the state, the schools and the redevelopment agencies. The Brisbane Redevelopment Agency has been used to replace the blight at Sierra Point with commercial buildings.

Located within the limits of Redevelopment Area 2 is over 500 acres of undeveloped commercial land. This parcel is contiguous with the boundaries of the City/County of San Francisco and is located within seven minutes of the San Francisco International Airport. The commercial development of this parcel is expected to take place over the next 5-10 years since the owner has submitted a Specific Plan for the site which will require a variance. The City is looking at a community developed Specific Plan that has a combination of retail, commercial, and open space. The owner's Specific Plan includes housing as well as the community developed elements. While the related economic benefits to the Agency from the development of this parcel cannot be estimated at this time, it is anticipated to be significant, possibly capable of providing the Agency with future revenues.

The company which has the permitted bio-tech campus in Redevelopment Area 1 has begun the process of doing initial pile driving tests. This is in anticipation of the building of its first of five buildings.

## **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is intended to provide residents, taxpayers, investors, and creditors with a general overview of the Agency's finances. Questions about this report should be directed to the Finance Department, at 50 Park Place, Brisbane, California.

**BRISBANE COMMUNITY REDEVELOPMENT AGENCY**

**STATEMENT OF NET ASSETS  
AND STATEMENT OF ACTIVITIES**

The Statement of Net Assets reports the difference between the Agency's total assets and the Agency's total liabilities, including all the Agency's capital assets and all its long-term debt. The Statement of Net Assets focuses the reader on the composition of the Agency's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the Agency's financial position in a single column.

The Statement of Activities reports increases and decreases in the Agency's net assets. It is prepared on the full accrual basis, which means it includes all the Agency's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The Statement of Activities presents the Agency's expenses that are listed by program first. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each program. The Agency's general revenues are then listed and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

These financial statements along with the fund financial statements and footnotes are called *Basic Financial Statements*.

BRISBANE COMMUNITY REDEVELOPMENT AGENCY  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and investments (Note 2)	\$7,449,569
Total current assets	7,449,569
Noncurrent assets:	
Restricted cash and investments (Note 2)	118,132
Interest receivable	4,720
Loan receivable (Note 3)	3,122,876
Capital assets (Note 5):	
Land	3,687,108
Depreciable capital assets, net	72,659
Total noncurrent assets	7,005,495
Total Assets	14,455,064
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	5,183
Interest payable	23,892
Long-term debt - due within one year (Note 6)	400,000
Total current liabilities	429,075
Noncurrent liabilities:	
Advances from the City	3,589,104
Long-term debt - due in more than one year (Note 6)	14,025,000
Total noncurrent liabilities	17,614,104
Total Liabilities	18,043,179
<b>NET ASSETS (Note 7)</b>	
Invested in capital assets	3,759,767
Restricted for:	
Low & moderate income housing	11,225,819
Debt service	116,793
Unrestricted (deficits)	(18,690,494)
Total Net Assets	(\$3,588,115)

See accompanying notes to financial statements

BRISBANE COMMUNITY REDEVELOPMENT AGENCY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:	
Public works - engineering and administration	\$982,576
Interest on long-term debt	211,308
Total Governmental Activities	1,193,884
General revenues:	
Taxes:	
Property taxes and special assessments	4,155,087
Investment earnings	33,125
Transfers (out) to City	(1,945,841)
Total general revenues and transfers	2,242,371
Change in Net Assets	1,048,487
Net Assets-Beginning	(4,636,602)
Net Assets-Ending	(\$3,588,115)

See accompanying notes to financial statements

This Page Left Intentionally Blank



<b>FUND FINANCIAL STATEMENTS</b>
----------------------------------

Major funds are defined generally as having significant activities or balances in the current year.

<b>MAJOR GOVERNMENTAL FUNDS</b>
---------------------------------

***SPECIAL REVENUE FUNDS:***

**Project Area #1:** This fund accounts for activities to provide an improved physical, social and economic environment within the City of Brisbane by the elimination of economic, social and physical blight existing within the project area. The Project Area includes the entire bay frontage of the City of Brisbane.

**Project Area #2:** This fund accounts for activities to provide an improved physical, social and economic environment within the City of Brisbane by the elimination of economic, social and physical blight existing within the project area. The Project Area includes all property between Bayshore Boulevard and the Bayshore Freeway.

***LOW & MODERATE INCOME HOUSING SPECIAL REVENUE FUND***

This fund accounts for the twenty percent housing set aside from the tax increment proceeds from the Project Area #1 and Project Area #2.

***DEBT SERVICE FUND***

To account for the accumulation of resources for payment of principal and interest on 1998 Housing Set Aside Revenue Bonds.

BRISBANE COMMUNITY REDEVELOPMENT AGENCY  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2011

	Project Area #1 <u>Special Revenue</u>	Project Area #2 <u>Special Revenue</u>	Low & Moderate Income Housing <u>Special Revenue</u>	Housing Bonds Debt Service	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments (Note 2)	\$1,307,285	\$235,978	\$5,906,053	\$253	\$7,449,569
Restricted cash with fiscal agent (Note 2)				118,132	118,132
Receivables:					
Accounts -net	912	171	3,109	528	4,720
Loans (Note 3)			3,122,876		3,122,876
Due from other funds (Note 4)			1,217,528		1,217,528
Advances to other funds (Note 4)			4,099,278		4,099,278
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$1,308,197</u>	<u>\$236,149</u>	<u>\$14,348,844</u>	<u>\$118,913</u>	<u>\$16,012,103</u>
<b>LIABILITIES</b>					
Accounts payable	\$2,914		\$149	\$2,120	\$5,183
Deferred revenue			3,122,876		3,122,876
Due to other funds	645,019	\$572,509			1,217,528
Advances from other funds (Note 4)	4,099,278				4,099,278
Advances from the City (Note 4)	2,295,996	1,293,108			3,589,104
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>7,043,207</u>	<u>1,865,617</u>	<u>3,123,025</u>	<u>2,120</u>	<u>12,033,969</u>
<b>FUND BALANCES (Note 9):</b>					
Fund balance					
Restricted for:					
Redevelopment projects	1,307,285	235,978			1,543,263
Low & moderate income housing			11,225,819		11,225,819
Debt service				116,793	116,793
Unassigned	(7,042,295)	(1,865,446)			(8,907,741)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Fund Balances (Deficit)	<u>(5,735,010)</u>	<u>(1,629,468)</u>	<u>11,225,819</u>	<u>116,793</u>	<u>3,978,134</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities and Fund Balances	<u>\$1,308,197</u>	<u>\$236,149</u>	<u>\$14,348,844</u>	<u>\$118,913</u>	<u>\$16,012,103</u>

See accompanying notes to financial statements

BRISBANE COMMUNITY REDEVELOPMENT AGENCY  
 Reconciliation of the  
 GOVERNMENTAL FUNDS -- BALANCE SHEET  
 with the  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2011

Total fund balances reported on the governmental funds balance sheet	\$3,978,134
<p>Amounts reported for Governmental Activities in the Statement of Net Assets          are different from those reported in the Governmental Funds above because of the following:</p>	
<b>CAPITAL ASSETS</b>	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	3,759,767
<b>ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES</b>	
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	3,122,876
<b>LONG-TERM ASSETS AND LIABILITIES</b>	
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:	
Long-term debt	(14,425,000)
Interest payable	<u>(23,892)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u><u>(\$3,588,115)</u></u>

See accompanying notes to financial statements

BRISBANE COMMUNITY REDEVELOPMENT AGENCY  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2011

	Project Area #1 <u>Special Revenue</u>	Project Area #2 <u>Special Revenue</u>	Low & Moderate Income Housing <u>Special Revenue</u>	Housing Bonds Debt Service	Total Governmental Funds
<b>REVENUES</b>					
Property tax	\$2,492,339	\$706,497	\$956,251		\$4,155,087
Use of money and property Miscellaneous	7,131	1,235	23,773	\$986	33,125
	<u>2,499,470</u>	<u>707,732</u>	<u>980,024</u>	<u>986</u>	<u>4,188,212</u>
<b>EXPENDITURES</b>					
Current:					
General government Public works - engineering and administration	452,812	415,735	112,797		981,344
Debt service:					
Principal	315,000			45,000	360,000
Interest and fiscal charges	91,840	45,259		75,035	212,134
	<u>859,652</u>	<u>460,994</u>	<u>112,797</u>	<u>120,035</u>	<u>1,553,478</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>1,639,818</u>	<u>246,738</u>	<u>867,227</u>	<u>(119,049)</u>	<u>2,634,734</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (Note 4)				120,036	120,036
Transfers (out) (Note 4)			(120,036)		(120,036)
Transfers (out) to City	(1,725,061)	(220,780)			(1,945,841)
	<u>(1,725,061)</u>	<u>(220,780)</u>	<u>(120,036)</u>	<u>120,036</u>	<u>(1,945,841)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(85,243)	25,958	747,191	987	688,893
<b>BEGINNING FUND BALANCES, as restated (Note 7D)</b>	<u>(5,649,767)</u>	<u>(1,655,426)</u>	<u>10,478,628</u>	<u>115,806</u>	<u>3,289,241</u>
<b>ENDING FUND BALANCES (DEFICIT)</b>	<u>(\$5,735,010)</u>	<u>(\$1,629,468)</u>	<u>\$11,225,819</u>	<u>\$116,793</u>	<u>\$3,978,134</u>

See accompanying notes to financial statements

BRISBANE COMMUNITY REDEVELOPMENT AGENCY  
 Reconciliation of the  
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
 with the  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2011

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$688,893

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense is deducted from the fund balance (1,232)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance 360,000

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Interest expense 826

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$1,048,487

See accompanying notes to financial statements

This Page Left Intentionally Blank

**BRISBANE COMMUNITY REDEVELOPMENT AGENCY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

<b>NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES</b>
---

**A. *Reporting Entity***

The Brisbane Community Redevelopment Agency (Agency) is a blended component unit of the City of Brisbane whose purpose is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. The Agency is controlled by the City, and has the same governing board as the City. All accounting and administrative functions for the Agency are performed by the City. The financial statements are intended to present the financial position and results of operations of the Agency, and not of the City. A component unit is a separate governmental unit, agency or nonprofit corporation which, when combined with all other component units, constitutes the reporting entity as defined in the City's comprehensive annual financial statements.

**B. *Basis of Presentation***

The Agency's Notes to financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These Statements require that the financial statements described below be presented.

***Government-wide Statements:*** The Statement of Net Assets and the Statement of Activities include the financial activities of the overall Agency government. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Agency's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

***Fund Financial Statements:*** The fund financial statements provide information about the Agency's funds. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. The Agency considers all its funds to be major funds.

**C. *Major Funds***

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The Agency considers all its funds to be major funds and reported the following major governmental funds in the accompanying financial statements:

***PROJECT AREA #1 SPECIAL REVENUE FUND*** – This fund accounts for activities to provide an improved physical, social and economic environment within the City of Brisbane by the elimination of economic, social and physical blight existing within the project area. The Project Area includes the entire bay frontage of the City of Brisbane.

**BRISBANE COMMUNITY REDEVELOPMENT AGENCY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)**

**PROJECT AREA #2 SPECIAL REVENUE FUND** - This fund accounts for activities to provide an improved physical, social and economic environment within the City of Brisbane by the elimination of economic, social and physical blight existing within the project area. The Project Area includes all property between Bayshore Boulevard and the Bayshore Freeway.

**LOW & MODERATE INCOME HOUSING SPECIAL REVENUE FUND** - This fund accounts for the twenty percent housing set aside from the tax increment proceeds from the Project Area #1 and Project Area #2.

**HOUSING BONDS DEBT SERVICE FUND** - To account for the accumulation of resources for payment of principal and interest on 1998 Housing Set Aside Revenue Bonds.

**D. Basis of Accounting**

The agency-wide financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The Agency considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are incremental property taxes and interest revenue.

Non-exchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Agency may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The Agency's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.



**BRISBANE COMMUNITY REDEVELOPMENT AGENCY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)**

***E. Revenues***

The Agency's primary source of revenue is property taxes, referred to in the accompanying financial statements as "incremental property taxes". Property taxes allocated to the Agency are computed in the following manner:

1. The assessed valuation of all property in the Project Area is determined on the date of adoption of the Redevelopment Plan by a designation of a fiscal year assessment role.
2. Property taxes related to any incremental increase in assessed values after the adoption of a Redevelopment Plan are allocated to the Agency; all taxes on the "frozen" assessed valuation of the property are allocated to the City and other districts receiving taxes from the project area.

The Agency has no power to levy and collect taxes and any legislative property tax reduction would lower the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds or loans from the City and any increased tax rate or assessed valuation or any elimination of present exemptions would increase the amount of tax revenues available for this purpose. The Agency is also authorized to finance the Redevelopment Plan from other sources, including assistance from the City, the State and federal governments, interest income and the issuance of Agency debt.

*Non-exchange transactions*, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

***F. Property Tax***

San Mateo County assesses properties and it bills, collects, and distributes property taxes to the Agency. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. Collection of delinquent accounts is the responsibility of the County which retains all penalties.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the Agency in the fiscal year they are assessed provided they become available as defined above.

**BRISBANE COMMUNITY REDEVELOPMENT AGENCY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)**

**G. *Budgets and Budgetary Accounting***

The Agency follows these procedures in establishing the budgetary data reflected in the financial statements

The Agency Board strives to adopt its budget each year by July 1.

1. A Board goal setting session is scheduled to determine the major objectives of the Agency's financial plan for the year. Goals are approved by the Board and incorporated into a detailed preliminary budget, which is issued for public comment. After a series of public hearings, the budget is adopted by the Board prior to the beginning of the ensuing fiscal year (July 1<sup>st</sup>).
2. The Agency Executive Director is authorized to transfer budgetary amounts within a single fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board.
3. Legally adopted budgets and formal budgetary integration is employed as a management control device during the year for the special revenue funds and debt service funds.
4. Budgets for all governmental funds are adopted on a basis consistent with GAAP.
5. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the Agency is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fees schedules, or an excess in one year may be offset against a deficit in the following year.
6. Budgeted revenue amounts represent the original budget modified by adjustments authorized during the year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year which were contingent upon new or additional revenue sources and reappropriated amounts for prior-year encumbrances. The Executive Director must approve adjustments to departmental budgets; however, management may amend the budgeted amounts within departmental expenditure classifications.

Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary accounting. Since encumbrances do not yet constitute expenditures or liabilities, encumbrances outstanding at year-end are reported as reservations of fund balances. Unexpended appropriations lapse at year-end and are reappropriated in the following year.

**BRISBANE COMMUNITY REDEVELOPMENT AGENCY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)**

**H. Expenditures over Appropriation**

The following funds had an excess of expenditures over appropriations.

Project Area #1 Special Revenue Fund	\$661,912
Project Area #2 Special Revenue Fund	\$126,616

**I. Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires Agency management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

**NOTE 2 - CASH AND INVESTMENTS**

The Agency's cash and investments consist of the following at June 30, 2011:

Cash and investments available for operation	\$7,449,569
Restricted cash and investments with fiscal agent	118,132
Total cash and investments	\$7,567,701

**A. Authorized Investments by the Agency**

The Agency's Investment Policy and the California Government Code allow the Agency to invest in the following table. This does not address the Agency's investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the City's investment policy.

Negotiable Certificates of Deposit	Government Agency Securities
Time Certificates of Deposit	Treasury Bonds, Bills, and Notes
Bankers Acceptances	Medium-Term Corporate Notes

**BRISBANE COMMUNITY REDEVELOPMENT AGENCY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**B. Authorized Investments by Debt Agreements**

The Agency must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the Agency fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with Agency ordinances, bond indentures or State statutes. The following identifies the investment types that are authorized for investments held by fiscal agents.

Government Agency Securities	Treasury Bonds, Bills, and Notes
Time Certificates of Deposit	Money Market Mutual Funds
Repurchase Agreements	State of California Local Agency Investment Fund
Commercial Paper	California Asset Management Program

There are no restrictions on the maximum amount invested in each security type or a maximum that can be invested in any one issuer.

**C. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity an investment has, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Agency's investments to market interest rate fluctuations is provided by the following table that shows the distribution to the Agency's investments by maturity:

Investment Type	Investment Maturities (in years)		Total
	12 months or less	13 - 48 months	
Securities of U.S. Government Treasury and Agencies			
Federal Home Loan Bank	\$35,791	\$39,585	\$75,376
Federal Home Loan Mortgage Corporation		41,642	41,642
Money Market	1,114		1,114
Total Investments	<u>\$36,905</u>	<u>\$81,227</u>	118,132
Cash and investment pooled with the City			<u>7,449,569</u>
Total Cash and Investments			<u>\$7,567,701</u>

For more information about the sensitivity of the fair values of the Agency's pooled investments with the City of Brisbane, please refer to the City's Comprehensive Annual Financial Report.

**D. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Agency's investments were not rated as of June 30, 2011.

**BRISBANE COMMUNITY REDEVELOPMENT AGENCY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 3 - LOANS RECEIVABLE**

As of June 30, 2011, loans receivable consisted of the following:

Bridge Housing Corporation	\$ 2,336,086
First Time Homebuyers	431,500
Peninsula Habitat for Humanity	<u>355,290</u>
<b>Total loan receivable</b>	<b><u>\$ 3,122,876</u></b>

- A.** In 1999, the Agency and the Bridge Housing Corporation entered into a loan agreement, in which the Agency would loan to the Bridge Housing Corporation, an amount not to exceed \$2,500,000. The obligation to repay the loan is evidenced by a note receivable. The terms of the note provide that the Bridge Housing Corporation make repayments, to the extent of surplus cash. Such annual payments are due and payable in arrears no later than June 1 each year with respect to the previous calendar year, and shall be accompanied by the Developer's report of surplus cash. The full amount of the loan was recorded as deferred revenue in the Governmental Fund Financial Statements since the revenue did not meet the availability criteria. In the Government-Wide Financial Statements the amount was recognized as revenues.
- B.** The Agency has provided various loan programs for First Time Homebuyers. In general the loans provide secondary financing for low and moderate buyers in the City. The loans have deferred payments in order to allow the buyers to maximize their purchasing capacity. A loan was made to a borrower on October 28, 2006 in the amount of \$125,000. Another loan was made on September 29, 2009 and a third loan on January 8, 2010. Payment of principal and interest is due upon the sale of the property. Units are sold at market value and the Agency also receives as payment a share of the appreciation based on the percentage of the Agency loan to the original purchase price. The Agency has first right of refusal to purchase the unit. In the Government-Wide Financial Statement the amount was recognized as revenue.
- C.** In 2005, the Agency authorized the execution of a Disposition, Development, and Loan Agreement with Peninsula Habitat for Humanity for conveyance of property and disbursement of a construction loan for development of seven units of affordable ownership housing for very low income families at 20 Plumas Street and 700 San Bruno Avenue. The loan was first drawn down in Fiscal Year 2007. The full amount of the loan was recorded as deferred revenue in the Governmental Fund Financial Statements since the revenue did not meet the availability criteria. In the Government-Wide Financial Statement the amount was recognized as revenue.

**BRISBANE COMMUNITY REDEVELOPMENT AGENCY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 4 – ADVANCES & INTERFUND TRANSACTIONS**

**A. *Interfund Advance***

As of June 30, 2011, the Low & Moderate Income Housing Special Revenue Fund had advanced \$4,099,278 to the Project Area #1 Special Revenue Fund, which represents a portion of the 20% housing set-aside funding deferred until future projects and funding become available.

**B. *Due to/Due From Other Funds***

The following transactions are short-term interfund-fund receivable and payables from the Low and Moderate Income Housing Fund to Project Area #1 and Project Area #2 Special Revenue Funds for the State of California takeaway needed to balance the 2010/11 budget.

	<b>Due from other funds</b>
<b>Due to other funds</b>	Low & Moderate Income Housing <u>Special Revenue Fund</u>
Project Area #1 Special Revenue Fund	\$ 645,019
Project Area #1 Special Revenue Fund	<u>572,509</u>
	<u><u>\$ 1,217,528</u></u>

**C. *Interfund Transfers***

The Agency Board authorized transfers from the Low & Moderate Income Housing Special Revenue Fund to the Housing Bond Debt Service Fund in order to pay required debt service payments. During the fiscal year 2011 the transfer between these funds totaled \$120,036.

**BRISBANE COMMUNITY REDEVELOPMENT AGENCY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 5 - CAPITAL ASSETS**

Capital assets, which include land, buildings, improvements, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements. Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Gifts or contributions of capital assets are recorded at fair market value when received. City policy has set the capitalization threshold for reporting capital assets at the following:

General Capital Assets                      \$5,000

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Improvements other than buildings        20 – 50 years

Changes in capital assets during the year ended June 30, 2011 comprise of the following:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital assets, not being depreciated:			
Land	\$3,687,108		\$3,687,108
Capital assets, being depreciated:			
Land improvements	<u>80,051</u>		<u>80,051</u>
Accumulated depreciation	<u>(6,160)</u>	<u>(\$1,232)</u>	<u>(7,392)</u>
Total capital assets, being depreciated	<u>73,891</u>	<u>(1,232)</u>	<u>72,659</u>
Total Capital assets	<u><u>\$3,760,999</u></u>	<u><u>(\$1,232)</u></u>	<u><u>\$3,759,767</u></u>

The depreciation expense for capital assets for the year ended June 30, 2011 was \$1,232 which was charged to Public Works – Engineering and administration activity.

**BRISBANE COMMUNITY REDEVELOPMENT AGENCY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 6 - LONG TERM DEBT**

Activity in the long-term debt for the year ended June 30, 2011, was as follows:

Description	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011	Classification	
					Amounts Due Within One Year	Amounts Due in More than One Year
Revenue Bonds:						
1998 Housing Set-Aside	\$1,305,000		\$45,000	\$1,260,000	\$45,000	\$1,215,000
Tax Allocation Bonds						
2001 Tax Allocation Bonds	13,480,000		315,000	13,165,000	355,000	12,810,000
<b>Total</b>	<b>\$14,785,000</b>		<b>\$360,000</b>	<b>\$14,425,000</b>	<b>\$400,000</b>	<b>\$14,025,000</b>

**A. 1998 Housing Set-Aside Revenue Bonds**

The Agency issued \$1,660,000 principal amount 1998 Housing Set-Aside Revenue Bonds to affect a loan to Bridge Housing Corporation in connection with the construction of a 14 unit multi-family rental housing project called the Brisbane Senior Homes Apartments. The bonds mature annually through September 1, 2013, in amounts ranging from \$25,000 to \$50,000 and term bonds maturing in 2027. The interest on the bonds is payable semiannually on each March 1 and September 1, with rates from 4.25% to 5.70%. The bonds are payable solely from the 20% tax increment housing set-aside of Redevelopment Area #2.

The annual debt service requirements on the bonds were as follows:

For the Years Ending June 30,	Principal	Interest	Total
2012	\$45,000	\$71,677	\$116,677
2013	50,000	69,180	119,180
2014	50,000	66,380	116,380
2015	55,000	63,555	118,555
2016	55,000	60,420	115,420
2017-2021	340,000	249,660	589,660
2022-2026	450,000	141,115	591,115
2027-2028	215,000	18,525	233,525
<b>Total</b>	<b>\$1,260,000</b>	<b>\$740,512</b>	<b>\$2,000,512</b>



**BRISBANE COMMUNITY REDEVELOPMENT AGENCY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 6 - LONG TERM DEBT (Continued)**

**B. 2001 Tax Allocation Bonds**

On March 1, 2001 the Agency issued \$15,000,000 of Brisbane Community Redevelopment Project Area #1 2001 Tax Allocation Bonds (Bonds) to refund the 1984 Tax Allocation Bonds and to satisfy the Agency's obligation under the 1984 Lease/Leaseback agreement (Deferred Rent Payable). On the same date the Agency and the Brisbane Public Financing Authority (Authority) entered into a bond purchase contract (Contract) whereby the Authority issued the Brisbane Public Financing Authority 2001 Revenue Bonds, Series A in the amount of \$26,300,000 in part to acquire the Agency's 2001 Tax Allocation Bonds.

The Bonds mature annually through May 1, 2026 in amounts ranging from \$80,000 to \$1,725,000 beginning May 1, 2003. The Bonds bear interest at a rate per annum equal to 12%. The interest payment is due on May 1 every year starting 2001. The Bonds are subject to optional and mandatory redemption prior to maturity. The Bonds are payable from and secured by certain tax revenues payable to the Agency.

The annual debt service requirements on the bonds were as follows:

Year ending June 30:	Principal	Interest	Total
2012	\$355,000	\$1,579,800	\$1,934,800
2013	395,000	1,537,200	1,932,200
2014	445,000	1,489,800	1,934,800
2015	495,000	1,436,400	1,931,400
2016	555,000	1,377,000	1,932,000
2017-2021	3,955,000	5,709,600	9,664,600
2022-2026	6,965,000	2,695,800	9,660,800
<b>Total</b>	<b>\$13,165,000</b>	<b>\$15,825,600</b>	<b>\$28,990,600</b>

**NOTE 7 – NET ASSETS AND FUND BALANCES**

**A. Net Assets**

Net Assets is the excess of all the Agency's assets over all its liabilities, regardless of fund. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

*Invested in Capital Assets, net of related debt* describes the portion of Net Assets which is represented by the current net book value of the Agency's capital assets, less the outstanding balance of any debt issued to finance these assets, if any.

*Restricted* describes the portion of net assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate-income purposes.

*Unrestricted* describes the portion of Net Assets which is not restricted to use.

**BRISBANE COMMUNITY REDEVELOPMENT AGENCY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 7 – NET ASSETS AND FUND BALANCES (Continued)**

**B. Fund Balances**

The Agency's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the Agency to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the Agency prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

*Nonspendables* represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

*Restricted* fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

*Committed* fund balances have constraints imposed by formal action of the Board of Directors which may be altered only by formal action of the Board of Directors. Encumbrances and nonspendable amounts subject to Board of Director commitments are included along with spendable resources.

*Assigned* fund balances are amounts constrained by the Agency's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Board of Directors or its designee and may be changed at the discretion of the Board of Directors or its designee. This category includes encumbrances; Nonspendables, when it is the Agency's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

*Unassigned* fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

**C. Fund Deficit**

At June 30, 2011, the Project Area #1 Special Revenue Fund and Project Area #2 Special Revenue Fund had fund deficits in the amounts of \$5,735,010 and \$1,629,468, respectively.

**D. Fund Balance Restatement**

During fiscal year 2011, the Agency determined that the advance from the Brisbane Public Financing Authority should be reported as long-term debt, rather than fund liabilities in the Project Area #1 Special Revenue Fund. As a result, fund balance has been increased as of July 1, 2010 in the Project Area #1 Special Revenue Fund by of \$13,165,000.

**BRISBANE COMMUNITY REDEVELOPMENT AGENCY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 8 – CONTINGENT LIABILITIES AND COMMITMENTS**

The Agency is subject to litigation arising in the normal course of business. In the opinion of the Agency Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the Agency.

**NOTE 9 – TAX INCREMENT SHIFT TO SUPPLEMENTAL EDUCATION REVENUE AUGMENTATION FUND (SERAF)**

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by redevelopment agencies, based on the property taxes received in fiscal year 2006-07, be paid instead to the County supplemental educational revenue augmentation fund (SERAF) in fiscal years 2009-10 and 2010-11. The State Department of Finance determines each agency's SERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year. The Agency made its second SERAF payment of \$353,609 in fiscal year 2010-2011.

**NOTE 10 – SUBSEQUENT EVENT**

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by the City opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. Concurrently with these two measures, the State passed various budget and trailer bills that are related and collectively constitute the Redevelopment Restructuring Acts. If all sponsoring communities were to opt-in to the voluntary program, these contributions amount to an estimated \$1.7 billion for fiscal year 2012 and an estimated \$400 million in each succeeding year. If the City fails to make the voluntary program payment, the Agency would become subject to the dissolution provisions of ABx1 26.

On July 18, 2011, the California Redevelopment Association, the League of California Cities and others challenged the validity and constitutionality of ABx1 26 and 27 to the California Supreme Court on numerous grounds, including that the acts violate certain provisions of the California Constitution. On August 11, 2011, as modified on August 17, 2011, the California Supreme Court agreed to hear the case and issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the stay did not include the section of ABx1 26 that suspends all new redevelopment activities. It is anticipated that the Court will render its decision before January 15, 2012, the date the first voluntary program payment is due.

The suspension provisions of ABx1 26 prohibit all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26. During the suspension period, an agency is required to prepare an Enforceable Obligation Payment Schedule no later than August 29, 2011, that allows it to continue to pay certain obligations. The Agency adopted its Enforceable Obligation Payment Schedule on August 22, 2011.

**BRISBANE COMMUNITY REDEVELOPMENT AGENCY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2011**

**NOTE 10 – SUBSEQUENT EVENT (Continued)**

In addition, the suspension provisions require the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the State Controller is required to order the asset returned to the redevelopment agency. The State Controller's Office has not yet provided any information about the timing or the process for this statewide asset transfer review.

The Agency is currently subject to the suspension provisions as described above. These facts indicate that there is more than a remote possibility the Agency may not continue as a going concern beyond October 1, 2011. The continuation of the Agency beyond October 1, 2011 will initially depend upon whether the Supreme Court rules in favor of the petitioners. There are three possible consequences to the Agency from a decision of the Supreme Court, when it is rendered:

1. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid, then the City will consider whether it will enact an ordinance to opt-in to the alternative voluntary redevelopment program. If enacted, the City would be required to make annual payments to the County Auditor-Controller and the Agency would no longer be subject to the suspension provisions. The State Department of Finance calculated the City's Voluntary Program payment for fiscal year 2012 to be \$2,195,511.
2. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid and the City decides not to participate in the alternative voluntary redevelopment program, or if the Supreme Court determines that ABx1 26 is valid, but ABx1 27 is not valid, the Agency will continue to be subject to the suspension provisions and would be dissolved in accordance with certain provisions of ABx1 26. Upon dissolution, all assets and obligations of the Agency would be transferred to a successor agency.
3. If the Supreme Court determines that both ABx1 26 and ABx1 27 are invalid, the Agency would no longer be subject to the suspension provisions and would continue in existence under California Redevelopment Law as it existed prior to the enactment of ABx1 26 and ABx1 27.

As of November 23, 2011, the Supreme Court has not ruled on the case and the Agency is subject to the suspension provisions as discussed above.

REQUIRED SUPPLEMENTARY INFORMATION

BRISBANE COMMUNITY REDEVELOPMENT AGENCY  
PROJECT AREA #1 SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
GOVERNMENTAL REVENUES				
Property tax	\$3,010,000	\$3,010,000	\$2,492,339	(\$517,661)
Use of money and property			7,131	7,131
Total Revenues	3,010,000	3,010,000	2,499,470	(510,530)
EXPENDITURES				
Current:				
Public works - engineering and administration	197,740	197,740	452,812	(255,072)
Debt Service - principal			315,000	(315,000)
Debt service - interest and fiscal charges			91,840	(91,840)
Total Expenditures	197,740	197,740	859,652	(661,912)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,812,260	2,812,260	1,639,818	(1,172,442)
OTHER FINANCING SOURCES (USES)				
Transfers (out) to the City	(2,086,552)	(2,086,552)	(1,725,061)	361,491
Total Other Financing Sources (Uses)	(2,086,552)	(2,086,552)	(1,725,061)	361,491
NET CHANGE IN FUND BALANCES	\$725,708	\$725,708	(85,243)	(\$810,951)
BEGINNING FUND BALANCE, AS RESTATED (DEFICIT)			(5,649,767)	
ENDING FUND BALANCE (DEFICIT)			(\$5,735,010)	

BRISBANE COMMUNITY REDEVELOPMENT AGENCY  
PROJECT AREA #2 SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011

	Budget		Actual	Positive (Negative)
	Original	Final		
GOVERNMENTAL REVENUES				
Property tax	\$690,049	\$690,049	\$706,497	\$16,448
Use of money and property			1,235	1,235
Total Revenues	<u>690,049</u>	<u>690,049</u>	<u>707,732</u>	<u>17,683</u>
EXPENDITURES				
Public works - engineering and administration	334,378	334,378	415,735	(81,357)
Debt service:				
Interest and fiscal charges			45,259	(45,259)
Total Expenditures	<u>334,378</u>	<u>334,378</u>	<u>460,994</u>	<u>(126,616)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>355,671</u>	<u>355,671</u>	<u>246,738</u>	<u>(108,933)</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out) to the City	(309,471)	(309,471)	(220,780)	(88,691)
Total Other Financing Sources (Uses)	<u>(309,471)</u>	<u>(309,471)</u>	<u>(220,780)</u>	<u>88,691</u>
NET CHANGE IN FUND BALANCES	<u>\$46,200</u>	<u>\$46,200</u>	25,958	<u>(\$20,242)</u>
BEGINNING FUND BALANCE (DEFICIT)			<u>(1,655,426)</u>	
ENDING FUND BALANCE (DEFICIT)			<u>(\$1,629,468)</u>	

BRISBANE COMMUNITY REDEVELOPMENT AGENCY  
LOW AND MODERATE INCOME HOUSING SPECIAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011

	Budget		Actual	Positive (Negative)
	Original	Final		
GOVERNMENTAL REVENUES				
Property tax	\$989,218	\$989,218	\$956,251	(\$32,967)
Use of money and property			23,773	23,773
Total Revenues	<u>989,218</u>	<u>989,218</u>	<u>980,024</u>	<u>(9,194)</u>
EXPENDITURES				
Public works - engineering and administration	145,805	145,805	112,797	33,008
Total Expenditures	<u>145,805</u>	<u>145,805</u>	<u>112,797</u>	<u>33,008</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>843,413</u>	<u>843,413</u>	<u>867,227</u>	<u>23,814</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(122,915)	(122,915)	(120,036)	2,879
Total Other Financing Sources (Uses)	<u>(122,915)</u>	<u>(122,915)</u>	<u>(120,036)</u>	<u>2,879</u>
NET CHANGE IN FUND BALANCES	<u>\$720,498</u>	<u>\$720,498</u>	747,191	<u>\$26,693</u>
BEGINNING FUND BALANCE			<u>10,478,628</u>	
ENDING FUND BALANCE			<u>\$11,225,819</u>	



**BRISBANE COMMUNITY REDEVELOPMENT AGENCY**  
**Notes to Required Supplementary Information**

**1. BUDGETARY INFORMATION**

The Agency follows these procedures in establishing the budgetary data reflected in the financial Statements

The Agency Board strives to adopt its budget each year by July 1.

1. A Board goal setting session is scheduled to determine the major objectives of the Agency's financial plan for the year. Goals are approved by the Board and incorporated into a detailed preliminary budget, which is issued for public comment. After a series of public hearings, the budget is adopted by the Board prior to the beginning of the ensuing fiscal year (July 1).
2. The Agency Executive Director is authorized to transfer budgetary amounts within a single fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board. The budgetary level of control is at the fund level. The budgeted figures used in the financial statements are the final amended amounts.
3. Legally adopted budgets and formal budgetary integration is employed as a management control device during the year for the special revenue funds and debt service funds.
4. Budgets for all governmental funds are adopted on a basis consistent with GAAP.
5. Budgeted revenue amounts represent the original budget modified by adjustments authorized during the year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year which were contingent upon new or additional revenue sources and reappropriated amounts for prior-year encumbrances. The Executive Director must approve adjustments to departmental budgets; however, management may amend the budgeted amounts within departmental expenditure classifications.

Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary accounting. Unexpended appropriations lapse at year-end and are reappropriated in the following year.

This Page Left Intentionally Blank

**SUPPLEMENTAL INFORMATION**

BRISBANE COMMUNITY REDEVELOPMENT AGENCY  
HOUSING BONDS DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budget</u> Final	<u>Actual</u>	<u>Positive</u> (Negative)
<b>GOVERNMENTAL REVENUES</b>			
Use of money and property		\$986	\$986
Total Revenues		986	986
<b>EXPENDITURES</b>			
Debt service:			
Principal	\$45,000	45,000	
Interest and fiscal charges	77,915	75,035	2,880
Total Expenditures	122,915	120,035	2,880
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>(122,915)</u>	<u>(119,049)</u>	<u>3,866</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	122,915	120,036	(2,879)
Total Other Financing Sources (Uses)	122,915	120,036	(2,879)
<b>NET CHANGE IN FUND BALANCES</b>		987	<u>\$987</u>
<b>BEGINNING FUND BALANCE</b>		115,806	
<b>ENDING FUND BALANCE (DEFICIT)</b>		<u>(\$1,629,468)</u>	

BRISBANE COMMUNITY REDEVELOPMENT AGENCY  
EXCESS SURPLUS CALCULATION

Excess surplus is defined in Health and Safety Code Section 33334.12(b) as any unexpended and unencumbered amount in an Agency's Low and Moderate Income Housing Fund that exceeds the greater of \$1,000,000 or the aggregate amount deposited into the Low and Moderate Income Housing Fund during the preceding four fiscal years, as of the beginning of the fiscal year.

If excess surplus exists, the Agency must lawfully spend the excess or transfer it to a housing authority or other public agency in the following fiscal year, expend or encumber in the next two fiscal years or face sanctions. Essentially, agencies have a three-year window to expend, encumber, or transfer the excess surplus.

	<b>Low and Moderate Income Housing Funds -- All Project Areas July 1, 2010</b>
<b>Opening Fund Balance -- July 1, 2010</b>	\$10,478,628
<b>Less Unavailable Amounts:</b>	
Reserved for Advances	(\$4,099,278)
Encumbrances (Section 33334.12(g)(2))	(2,650)
	(4,101,928)
Available Low and Moderate Income Housing Funds	6,376,700
<b>Limitation (greater of \$1,000,000 or four years set-aside)</b>	
Set-Aside for last four years - fiscal years ended:	
June 30, 2010	1,082,015
June 30, 2009	967,548
June 30, 2008	903,574
June 30, 2007	878,429
Total	\$3,831,566
Base limitation	\$1,000,000
Greater amount	3,831,566
<b>Computed Excess Surplus - July 1, 2010</b>	<b>\$2,545,134</b>

The Agency is planning on using the excess surplus to purchase and improve land for Low/Moderate Income Housing. As of June 30, 2011, the Agency was in contract to purchase the four acre Lau property for \$1,980,000. This purchase was settled in August 2011. The Agency will be working with Habitat for Humanity to develop this site. The Agency will also be using the excess surplus to assemble additional parcels of land and fund offsite improvements for this project.

At the same time, the Agency is working with Rebuild Together Peninsula for home repairs to low income homeowners and Human Investment Project Housing (HIP Housing) which helps low income households find housing in Brisbane. The Agency also has a program to provide down payment assistance loans to low and moderate income first time homebuyers.

This Page Left Intentionally Blank

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Governing Board of  
City of Brisbane Community Redevelopment Agency  
Brisbane, California

We have audited the financial statements of City of Brisbane Community Redevelopment Agency (Agency) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 23, 2011. The report included a special emphasis paragraph concerning proposed redevelopment dissolution and the implementation of Governmental Accounting Standards Board Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control over Financial Reporting***

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

As part of our audit, we prepared and issued our separate Memorandum on Internal Control dated November 23, 2011, which is an integral part of our audit and should be read in conjunction with this report.

This report is intended solely for the information and use of management, Agency Board, others within the Agency, the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mare & Associates*

November 23, 2011



**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE  
CALIFORNIA HEALTH AND SAFETY CODE  
AS REQUIRED BY SECTION 33080.1**

Members of the Governing Board of  
City of Brisbane Community Redevelopment Agency  
Brisbane, California

### ***Compliance***

We have audited the City of Brisbane Community Redevelopment Agency's compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Agency has occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June 30, 2011.

### ***Internal Control Over Compliance***

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Agency Board, others within the Agency, the State Controller's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mare & Associates*

November 23, 2011